

Research Report on the
Investment Environment of
Haining City,
Zhejiang Province





Haining

Map of China



Legend

- Provincial Capital
- Major Cities
- ✈ Airport
- ⚓ Port
- River
- - - Railway
- Expressway
- Fresh Water lake, salt water lake

Preface

The city of Haining is located in Zhejiang Province on the southern tip of the Yangtze River Delta and on the vast plains of Hangzhou-Jiaxing-Huzhou. The city's proximity to Shanghai, along with its economic prosperity, cultural heritage and natural beauty, have earned it a number of accolades. Haining City is specifically known for its quality leather, silk and textiles, and as being a popular tourist destination. These features give the city enormous investment potential.

The Haining Bureau of Commerce commissioned Shanghai Deloitte Tax Ltd. (hereinafter "Deloitte") to carry out an objective evaluation of the investment environment of Haining City. The report is designed to provide potential investors with relevant information about the factors that may affect their investment decisions.

The report describes the investment environment of Haining City in the context of five factors of most interest to investors:

- Government policies and services
- Business environment
- Human resources
- Infrastructure
- Living environment

Deloitte conducted an independent analysis of Haining City using qualitative and quantitative studies, field reviews and interviews with representatives of enterprises established in the area. The report incorporates Deloitte's understanding of Haining City's development plan and investment policies to illustrate advantages of and prospects for the region. Advantages include:

1. Excellent Geographical Location and Transportation Infrastructure

Haining City's location in the heart of the Yangtze River Delta region's economic zone, its proximity to Shanghai and Hangzhou, and its developed transportation network infrastructure give the city a metropolitan feel.

2. Private Economy with a Solid Economic Base

Haining was among the first county-level coastal cities in China to open up for development, and the city has been at the forefront of progress and prosperity since the beginning of the economic reform. The city of Haining is the country's key region for specialized leather and warp knitting industry clusters, and has fostered the development of many financially robust private enterprises. Haining City will use its economic experience, strategic innovation and developmental philosophies to further diversify its economy, and upgrade the existing industrial base.

3. 'Fertile Soil' for Living/Working in the Land of "Rolling Tides"

Haining City is the ideal venue to view the renowned rolling tides of the Qiantang River, a natural landmark that draws visitors from all over the world. The city also has a rich cultural heritage and is the hometown of many renowned academics and Chinese literary giants. Living in Haining City provides an escape from the hustle and bustle of city life, but its proximity to Shanghai allows inhabitants to benefit from a cosmopolitan lifestyle. The city offers career opportunities and has a well-developed infrastructure, which make it a desirable place to settle and launch a career.

Using its regional advantages, as well as policy support from provincial and municipal leaders, Haining City will accelerate the industrial upgrading process and promote the integration of city and industry, with a view to becoming a competitive economic powerhouse that will enhance prosperity and development of the Yangtze River Delta region.

1. Overview of Haining City

-
- 1.1 Profile of Haining City
 - 1.2 Economic development
 - 1.3 Industry Clusters
 - 1.4 Transformation and Upgrades

1.1 Profile of Haining City



Excellent Geographical Advantages

Haining City is situated in the heart of the Yangtze River Delta economic zone and in the northeastern part of Zhejiang Province. It is 60 km east of Hangzhou, 120 km west of Shanghai, 100 km north of Ningbo and 90 km south of Suzhou. Haining City occupies a total land area of 700.5 km² and has a population of about 660,000. Haining is surrounded by a network of railways and highways that create a “one-hour economic zone” and connect the city to Shanghai, Suzhou and Hangzhou. Four first-class harbors situated along the coast provide Haining City with convenient waterway transportation. The city also has easy access to five international airports. This extensive transportation network makes for an efficient supply chain: specifically, it facilitates the supply of raw materials and the sale of products, and will serve as an engine of growth in the Hangzhou Bay industrial belt.

Source:
Haining City Statistical Communiqué (2009-2013)
Haining City Statistical Report (2013)
Information provided by Haining Bureau of Commerce

A Developed Private Economy

Haining City is the embodiment of China’s private economic revitalization. Since the beginning of the economic reform, Haining City has evolved as the center for quality leather, silk and textiles. The city hosts a large number of private enterprises, which have infused the economy with an entrepreneurial spirit and created a thriving private market economy. In 2013, Forbes ranked Haining City No. 10 on the list of the top 30 county-level cities in China.

Land of Tourism and City of Culture

Haining City is a popular international tourist destination, well-known in particular, for its “rolling tides.” The city also has a rich cultural history, and is the birthplace of many celebrities and individuals in the arts and sciences. For example, the great master Wang Guowei, the romantic poet Xu Zhimo, the master of martial arts literature Louis Cha, mathematician Li Shanlan, and military theorist Jiang Baili, all hail from Haining.

1.2 Economic development

Sustainable Economic Growth

Haining City's GRDP reached RMB 63.37 billion in 2013, and for the period 2009-2013, its gross compound rate of annual GRDP growth was 14%. Within Haining City's industrial structure, the secondary sector holds a leading position. The added value of the secondary sector reached RMB 36.42 billion in 2013. For the period 2009-2013, the gross compound annual rate of growth for the primary, secondary and tertiary sectors was 9.7%, 12.6% and 17.6%, respectively, with development in the tertiary sector experiencing the most rapid growth.

Expanding Use of Foreign Capital

Contracted foreign investment in Haining City reached USD 570 million in 2013, and the actual utilization of foreign investment totaled USD 340 million, representing a year-on-year increase of 47.8% and 42.5%, respectively.

The manufacturing sector accounted for nearly 70% of total foreign direct investment projects in Haining City in 2013, taking a leading position. Foreign direct trade and business service projects ranked second and third, respectively.

Continued Rise in Imports and Exports

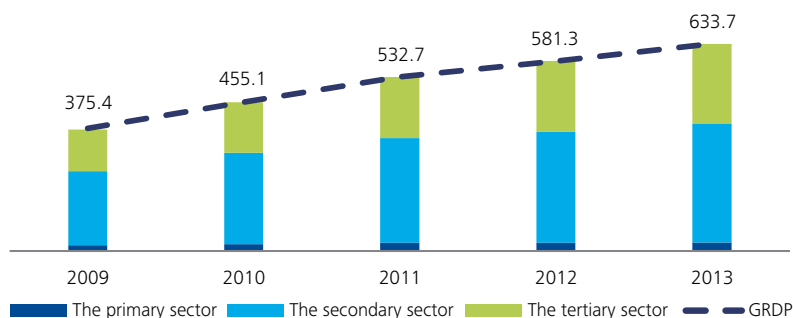
Haining City's export trade volume reached USD 4.56 billion in 2013, representing a year-on-year increase of 14.4%, while import trade volume reached approximately USD 1.2 billion, representing a year-on-year increase of 16.5%.

Booming Market for Merchandise Sales

Total retail sales of consumer goods in Haining City in 2013 reached RMB 26.93 billion. For the period 2009-2013, the city's gross compound annual rate of growth for total retail sales of consumer goods was 15.1%. Haining City held the largest specialized market for leather in the country and over 30% market share for fabric in the domestic textile industry.

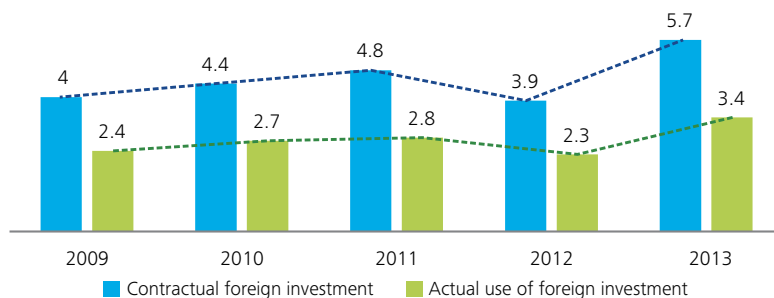
GRDP and Scale Industries in Haining City (by added values)

Unit: RMB 100 million



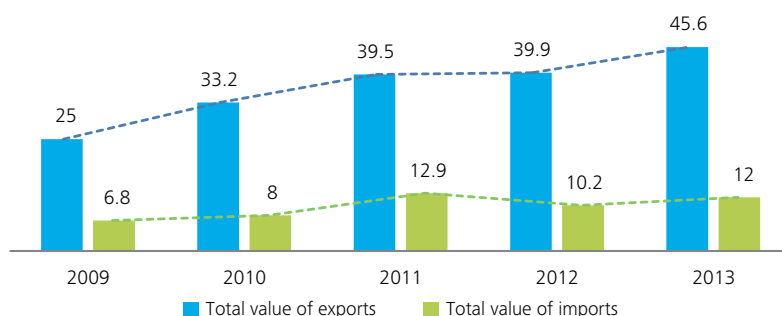
Utilization of Foreign Capital in Haining City

Unit: USD 100 million



Total value of imports and exports in Haining City

Unit: USD 100 million



Source:
Haining City Statistical Communiqué (2009-2013)
Haining City Statistical Report (2013)
Information provided by Haining Bureau of Commerce

1.3 Industry Clusters

Three Pillar Industries

The city of Haining has experienced rapid development since the beginning of China’s economic reform, and this laid the foundation for the evolution of the three pillar industries of the city: leather, warp knitting and textiles. Haining is a leader in the leather industry both in China and worldwide. The pillar industries have created a solid economic base for private enterprises to thrive, as well as an environment that will stimulate further growth, transformation and the upgrading of the existing industrial structure.

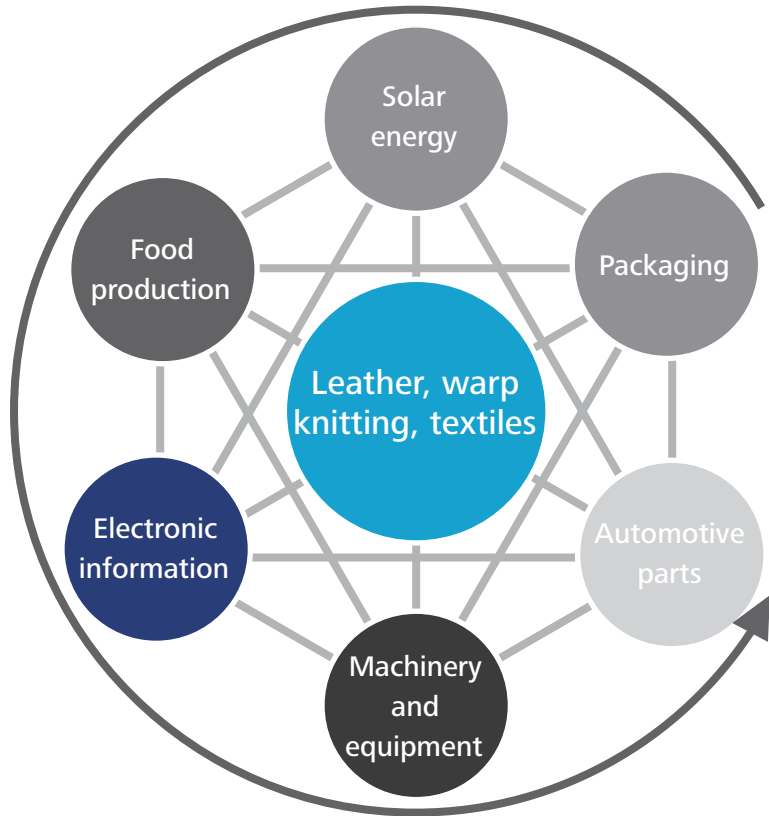
Other Major Industries

Haining City also is committed to cultivating a number of other strategic industries, such as solar energy, packaging, automotive parts, machinery and equipment, electronic information and food production.

Desirable Destination for Business Development

Haining City has an excellent environment for industrial development, which has enabled a number of private enterprises and brands to prosper and grow quickly. An increasing number of industry leaders have started businesses in Haining City and integrated themselves into a global industrial chain. Haining City generally is considered a destination that offers good investment value. More than 300 foreign companies already have invested in Haining City with a view to establishing a presence in the Chinese market.

Scale industrial clusters



Examples of enterprises established in Haining City

Global 500 Enterprises	Listed enterprises in Haining City
<ul style="list-style-type: none"> Johnson Controls, Inc. (US) ITOCHU Corporation (Japan) COFCO Group Ltd. China Ocean Shipping (Group) Company Zhejiang Materials Industry Group Corporation 	<ul style="list-style-type: none"> Zhejiang Qianjiang Biochemical Co., Ltd TDG Holding Co., Ltd. Kasen International Holdings Limited Hongda High-Tech Holding Co., Ltd. Zhejiang Hailide New Material Co., Ltd. Haining China Leather Market Co., Ltd.
Global industry leaders	
<ul style="list-style-type: none"> Catalent Pharma Solutions CP Group 	<ul style="list-style-type: none"> JinkoSolar Holding Co., Ltd. Brother Enterprises Holding Co., Ltd. Zhejiang Meida Industrial Co., Ltd

Source:
 Haining City Statistical Communiqué (2009-2013)
 Haining City Statistical Report (2013)
 Information provided by Haining Bureau of Commerce

1.4 Transformation and Upgrades

Haining City intends to make further upgrades to its industrial structure and, at the same time, cultivate the development of strategic emerging and modern service industries.

E-commerce plays a vital role in transformation and upgrades of Haining City and it already has injected new vitality into the economic development of the city. Haining is one of the first model cities for e-commerce, and to this end, the city has set up an electronic platform to attract companies to establish in the area. Leading businesses will benefit from training and support provided by the government.

Emerging industries

Emerging industries, such as high-end equipment manufacturing, advanced materials, alternative energy, energy conservation and environmental protection, IoT and related industries, as well as high-grade leather and textiles

Cultivation of key industries

E-commerce

Haining City is rapidly developing e-commerce to become a popular national center for network operations, a global network for cross-border electronic goods, and a premier destination for one-stop services

Modern services

Modern services include trade exhibitions, cultural tourism, business headquarters, intermediary services, modern logistics, financial services, technological R&D and community services



Foundation for Development: The basis for future growth

Haining City's private economic development was initiated very early and the city now boasts a thriving economy that is comprised of private industrial clusters with regional characteristics and advantages. The presence of strong private enterprises have helped pave the way for economic transformation, development and cross-border cooperation.

Development Trends: Industrial transformation and upgrades

Haining City is committed to the transformation and development of the private economy. Through a policy-oriented and cooperative business environment, the city enables corporate transformations and industrial upgrades, which in turn have encouraged sustainable growth.





Developmental Drivers: Resource allocation reform

As a pilot area for the comprehensive reform of resource allocation, Haining City was among the first cities to introduced land use efficiency measures, while adopting a core assessment system designed to respond to the needs of companies operating in the city.

Development Opportunities: Acquisitions and cooperative relationships

Relying on Haining City's strong private economy, enterprises have achieved upgrades and transformations through mergers and acquisitions, branding cooperation, R&D collaboration and technological innovation, thus creating new opportunities for a broad range of cross-enterprises, and cross-industry / cross-border cooperation.



2. Introduction

Comprehensive government policies and services are prerequisites for the ability of enterprises to operate efficiently and are a cornerstone of the long-term stable, sustainable development of an industrial area.

An open and transparent policy environment and efficient government services can translate into time and cost savings—two considerations for an enterprise looking for an investment destination. The Haining City government provides an efficient and transparent administrative environment that allows companies to focus primarily on development of their businesses.

By following a “service-oriented government” concept, Haining government is implementing transparent policies, improving service efficiency, and building multiple platforms to create a high-quality investment environment for investors.

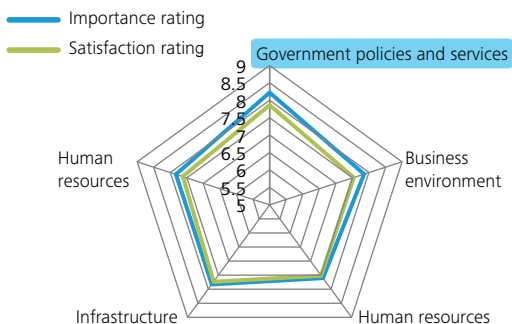
The Haining City government offers high-level professional services and it has a record of following through on its policy commitments. This creates an environment that allows companies to thrive, and for this reason we would like to expand our investments in Haining.

——COFCO Flour Industry (Haining) Co., Ltd.



2.1 Research Summary of Government Policies and Services

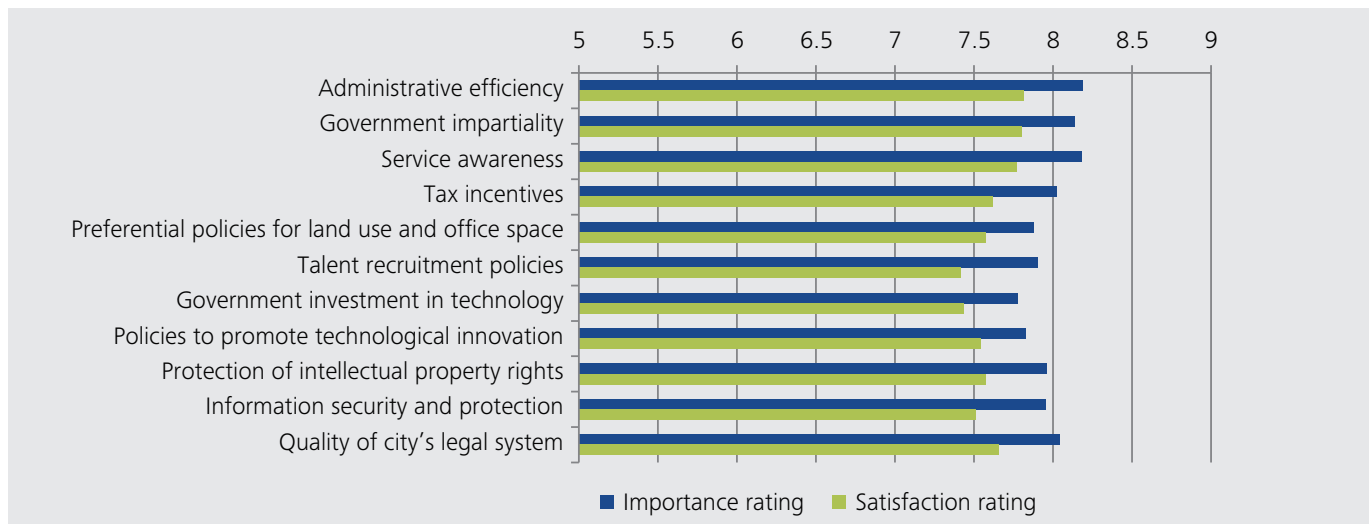
Importance/satisfaction analysis



Feedback from the survey

- Importance rating scored 8.22 points (out of 9 points)
- Satisfaction rating scored 7.86 points (out of 9 points)
- Respondents believe that administrative efficiency, service awareness of the government and government impartiality are most important factors
- Respondents are most satisfied with the administrative efficiency, government impartiality and service awareness

Breakdown of Importance/Satisfaction



2.2.1 Industry Incentives — Emerging and Key Industries

Key Areas for Incentives^①

The future development of Haining City will spring from its existing industrial base and resources.

According to a strategic plan created by the central government, Zhejiang Province and Jiaxing City, the focus will be on targeted emerging industries that will further optimize the industrial structure of Haining City.

Areas for Financial Support

With the following purposes, enterprises or projects can be granted with financial support:

- Optimizing industrial investment
- Cultivating leading enterprises
- Promoting research and innovation
- Promoting green development
- Encouraging mergers, acquisitions and reorganizations

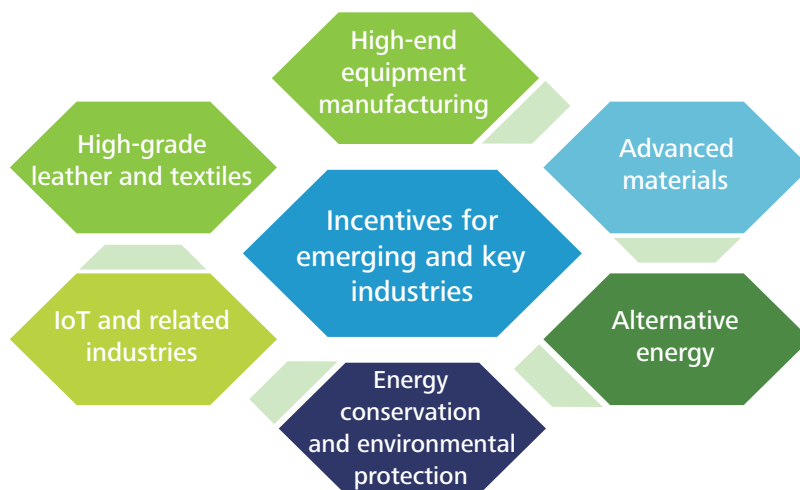
Technological Innovation Incentives^②

Reform of scientific and technological factors and resource allocation

A voucher system for technological innovation will be implemented, focusing on science and technological enterprises, up to an annual amount of RMB 100,000.

The Zhejiang provincial government and the local government will grant fiscal subsidies to parties that develop a way to successfully co-establish a provincial-level enterprise institute.

For the various types of scientific and technological achievements traded in the technology market will be awarded subsidies up to 20% of the actual traded amount.



Encouraging efficient investment

Encouraging efficient investment	Including the implementation of overcharges reward, increasing equity investment incentives and "machine-people exchange" reward, as well as encouraging commercial practice as attracting business through business.
Increasing financial support	Including reducing business financing costs, supporting technology-growth enterprises, small and micro businesses and technology evolution financing.
Strengthening land security	Including protecting the land use of industrial access project, encouraging to increase land-use ratio, construct innovation centers and revitalize idle plant.
Actively exploring the market	Including outbound investment of domestic companies and take part in overseas exhibitions, export credit insurance and accelerating the progress of the export tax rebate.
Increasing service efficiency	Including the implementation of enterprise service mechanism, reducing the approval threshold and simplifying the progress of acceptance check and license issuance.

Source:

- ① "Catalog on development strategies for emerging industries and key product-oriented areas in Haining City"
- ② "Briefs on reforms for the comprehensive allocation of market factors in Haining City" and "Technological innovation vouchers for implementation of management practices in Haining City (Trial)"

2.2.2 Industry Incentives — Financial Services and Headquarters Economy

Policy-Oriented Financial Industry

The introduction of sound and targeted financial policies will further promote the evolution of Haining City's financial industry, connecting private capital to industrial investment projects.

Haining City's efforts to develop the financial services industry include adjustments to its systems to accommodate banking, securities, insurance and other financial institutions. Also included within the scope of this initiative are efforts to attract companies engaged in the credit guarantee and credit rating business and other financial intermediary services that will facilitate the development of venture capital funds, trusts and investment, finance leasing and other financial services.

Examples of Incentives for Financial Services^①

Finance leasing

- The local taxes payable on turnover and profits derived from the finance lease businesses will be fully refunded within three years
- Risk subsidies will be granted based on a certain percentage of the daily average finance lease balance of finance leasing companies

Equity investments

- Enterprises with registered capital exceeding RMB 500,000 and with financing in place will be granted a one-time incentive
- New and existing equity investment enterprises that invest in enterprises in Haining City will be awarded a grant equal to 1% of the amount of the investment
- Newly established equity investment enterprises liable to local taxes on turnover and profits will be granted a rebate of up to 70% of the taxes on their annual earnings for six years

Support for Economic and Industrial Headquarters

Haining City encourages the establishment of headquarters and urban business clusters, particularly in the areas where the leather and warp knitting industries are located. The city also encourages leading enterprises to setup headquarters there.

Preferential Policies for Economic Headquarters^②

Building incentives

One-time incentives	Headquarter building projects that meet certain requirements will be granted a one-time award equal to 4%-5% of the actual amount of the investment (excluding land transfers), upon completion of the project
Tax incentives	Upon completion of the construction of a corporate headquarters, local business and property taxes paid for the lease of idle premises will be fully refunded within three years from the date the lease is concluded

Incentives for established enterprises

Development of service industry	Established production services enterprises, other than manufacturing enterprises, will be granted subsidies within three years from the date of registration
Establishment of service industry enterprises	Service enterprises originally established outside the city and that set up in Haining City will be granted incentives for three consecutive years when the local tax paid on their annual turnover and total profits exceeds RMB 300,000 or more
Relocation of a new corporate headquarters	Newly established corporate headquarters or regional headquarters, will receive an incentive in the form of a rebate of tax paid in excess of RMB 500,000 for five consecutive years.

Source:

① "Policy opinions on encouraging industrial development of equity investment" and "Opinions on implementing support policies for finance leasing enterprises"

② "Opinions on further accelerating the economic development of building headquarters"

2.2.3 Industry Incentives — Cultural, Logistics and E-commerce Industries

Supporting the Development of a Cultural Powerhouse^①

Haining City is increasingly focused on reinforcing the protection and utilization of its long-standing traditional culture, and has implemented a series of supportive policies and measures to further this objective.

Modern Logistics Industry^②

To facilitate the development of a regional comprehensive logistics base (park), Haining City has integrated resources to build a logistics platform and has introduced a series of preferential policies to promote the modern logistics industry.

Logistics companies registered in Haining City with turnover of RMB 30 million or above will be granted an incentive equal to 80% of the local tax paid on annual turnover and profits for three consecutive years. Certain accredited modern logistics companies also will be awarded a one-time incentive.

Policies for E-commerce development^③



Source:

- ① "Policy opinions on promoting the development of a strong cultural powerhouse"
- ② "Opinions on further facilitating the development of service businesses"
- ③ "Policies for promoting the development of e-commerce in Haining City "

Lower barriers to entry	For cultural enterprises in the form of a corporate group, the minimal registered capital of a parent company will be reduced to RMB 10 million, and only three subsidiaries will be required. The consolidated registered capital of the parent company and its subsidiaries will be RMB 30 million.
Encouragement of cluster-based transformations	A one-time incentive will be provided to parties that successfully establish a national, provincial or municipal level cultural industry park.
Support for key projects	Land management arrangements will be facilitated for key industry projects and registration procedures for production factories or plants will be expedited. In addition, cultural exhibitions and exchanges will be organized.
Incentivized corporate investments	Corporate investment projects involving more than RMB 3 million and that meet cultural industry requirements will be granted an incentive equal to 4% of the amount of the investment.
Incentives and financial support	Enterprises that meet cultural enterprise requirements will be granted incentives equal to 80% of the local tax paid and financial support will be available to certain companies engaged in the film and film production industry.

E-commerce policies

For taxable e-commerce enterprises with an initial annual sales revenue of RMB 5 million or above may be awarded a one-time incentive exceeding RMB 30,000.

For new investment in and development of third-party e-commerce trading platforms that significantly enhance the further development of the leather, warp knitting and textile industries, and projects with an actual investment amount exceeding RMB 1 million, will be awarded subsidies of up to 20% of the investment in software and equipment purchased by the operating entities.

E-commerce parks accredited as provincial and national electronic demonstration parks will receive a one-time award of RMB 200,000 and RMB 300,000, respectively.

Interest on loans granted to e-commerce businesses will be offered an interest rate that is 50% of the lender bank's benchmark interest rate.

2.3 Talent Recruitment Policies

Objectives of Talent Recruitment Policies

A key driver of a company's success is its intellectual capital. The availability, professional ability, suitability and degree of "internationalization" of a company's human resources and its ability to minimize the related labor costs are crucial to ensuring its ability to grow and upgrade its business. Haining City has implemented targeted preferential policies to attract qualified personnel and is committed to attracting more individuals to invest and work in the area.

Elite Recruitment Scheme^①

The "Elite Recruitment Scheme" is an initiative designed to attract "leading talent" and "innovative teams" from domestic and overseas markets.

More than 13 preferential policies are available to individuals and teams that meet the relevant criteria. Policies cover many areas including start-up funding, rent relief, discounted loan interest, financial support, etc.

One-time incentives

- Enterprises that meet certain criteria for attracting human resources will be granted a one-time incentive
- Enterprises that successfully set up provincial post-doctoral research institution will receive a one-time municipal financing subsidy of RMB 100,000

Introduction of foreign intellectual capital

- Projects approved as foreign intellectual capital projects will receive a subsidy of up to RMB 100,000 upon completion of the project

Promoting Talent in Enterprises^②

Haining City is accelerating the use of the "leading talent" and "innovative team" recruitment schemes and actively encouraging businesses that employ high-level innovative personnel to form industry clusters.

Examples of "Elite Recruitment Scheme"

Start-up funding	Qualified entrepreneurs and innovation leaders may be granted up to RMB 6 million for a start-up venture. And for exceptional qualified projects, the funding amount is not limited.
Rent relief	Businesses established by industry leaders can apply to obtain rent-free production building areas or research spaces of 100 m ² for three years.
Discounted loan interest	Within two years following registration, an enterprise established by industry leaders will be able to obtain a bank loan of up to RMB 5 million at a fully discounted interest rate.
Financial support	An enterprise set up by leading talent will be eligible for an exemption from local tax on corporate profits for three years following the first profitable year.
Priority land use	Land use requirements will be prioritized for large key projects undertaken by entrepreneurial and innovative leaders that comply with the industrial development policy in Haining City and that introduce high technology.
Resettlement grant	Entrepreneurial and innovative leaders can apply for up to a RMB 1 million living allowance and a home buyer's grant. Rent subsidies will be granted to renters.
Family resettlement and educations	Suitable job placement assistance will be provided to spouses of individuals in management positions and such individuals will be able to select schools for their children.

Source:

① Haining's "Elite Recruitment Scheme"

② "Policy opinions to attract innovative talent"

2.4 Government Services

Efficient and Excellent Service-Oriented Government

Haining municipal government is committed to being a “service-oriented government” by developing various service platforms, expediting approval procedures, and providing comprehensive services to businesses.

Multiple Service Platforms

The Haining City government has established a comprehensive network of services to meet the needs of businesses in the area.

Platform type	List of platforms
Research and innovation platform	<ul style="list-style-type: none"> Haining Technology Innovation Center Caohejing Science Oasis “Chinatech Challenge” (Advanced Materials and High-Tech) Industrial Park
Financial services platform	<ul style="list-style-type: none"> Private Financial Service Center Zhejiang Equity Trading Center (Haining District) (under construction)
Resource trading platform	<ul style="list-style-type: none"> Zhejiang Jiangnan Factor Trading Co., Ltd.
Intellectual property platform	<ul style="list-style-type: none"> Zhejiang (Haining) IP Rights Assistance Center

Haining 3D Information Service Platform for Investment Resources

- The 3D-model map covers an area over 130 km², including an overview of the city, investment, industrial distribution, public services, business costs, etc.
- The 3D format enables investors to view potential investment projects, access resource data and fully understand the surrounding facilities

Source:
Briefs on reforms on resource allocation reform in Haining City

Representatives of various departments of the Haining government have visited our company and helped us resolve issues. Such an experienced and professional service-oriented government fully meets the needs of a company.

——Zhejiang Johnson Controls Wanfang Textile Technology Co., Ltd.

Efficient Administration

Streamlined approval process

City examination and approval issues dropped by nearly 30%, with 184 items being reduced to 131 items.

Comprehensive law enforcement

An administrative law enforcement bureau has been set up to ensure compliance.

“No Approval Required” Pilot

Approval system is no longer required for projects falling within the scope of the Approved Catalog for Foreign Investment Projects. Instead, a reporting system is required for enterprises to make a commitment, and comply with other procedures.

Business license is granted before other special permissions.

The new company registration system which business license is granted before other special permissions is used. (already effect in 35 sectors).



3. Business Environment

- 3.1 Research Summary of Business Environment
- 3.2 Four Major Functional Zones
 - 3.3.1 Haining High-Tech Industrial Park
 - 3.3.2 Haining Economic Development Zone (Jianshan District)
 - 3.3.3 Zhejiang Haining Warp Knitting Industrial Park (Haining Smart City)
 - 3.3.4 International Tourism Corridor at Haining Hundred-Li Qiantang Riverside

3. Introduction

A collaborative business environment is one of the cornerstones for attracting new investment, as well as successful industrial transformation and upgrades to existing infrastructure. It also is an important indicator for measuring the competitiveness of a region.

Haining City has become one of the most progressive areas in Zhejiang Province for industrial clusters for manufacturing, modern services, the high-tech industry and the establishment of headquarters. The city also plays an active role in the Yangtze River Delta region economic zone and is taking full advantage of its geographical location. Through strategic cooperation with its neighboring cities, namely Hangzhou and Shanghai, Haining City can offer an abundance of space and attractive development opportunities.

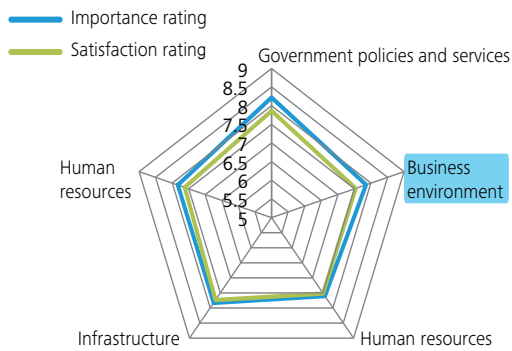
Haining is surrounded by an abundant supply of raw materials and the impact of its industrial clusters is readily apparent. The highly collaborative business environment has compelled Catalent to enter into joint ventures with Haining's local companies and to enter the Chinese market.

——Zhejiang Catalent Jiang Yuantang Technology Co., Ltd.



3.1 Research Summary of Business Environment

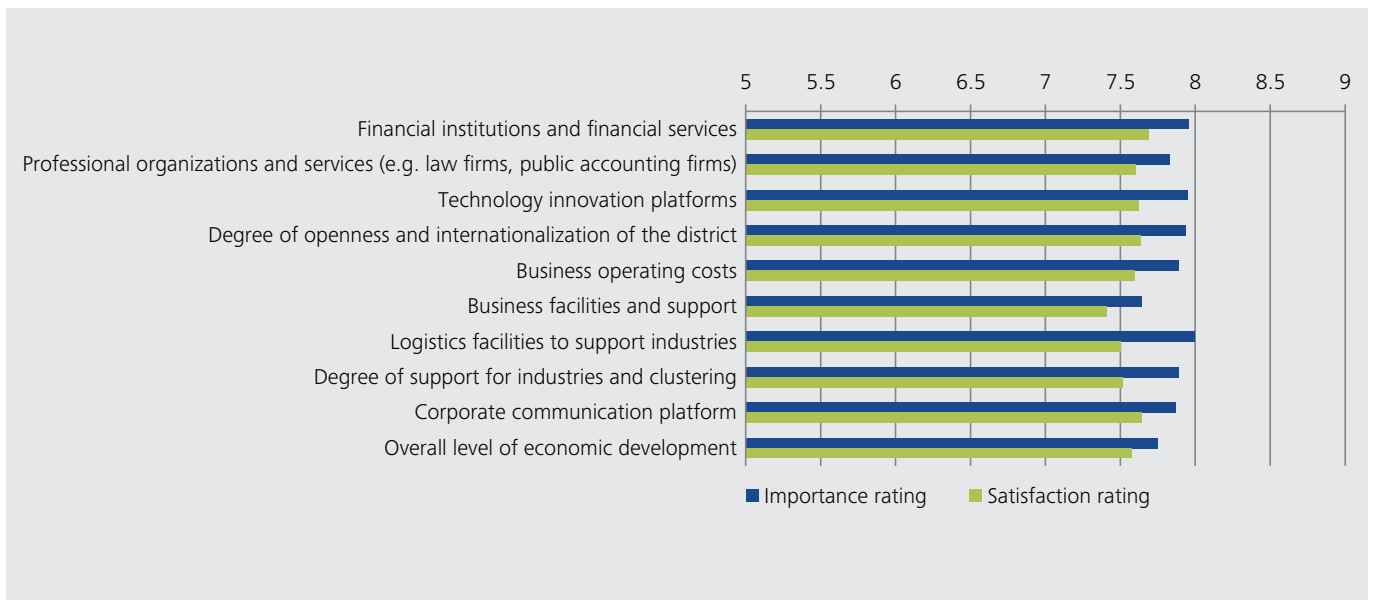
Importance/satisfaction analysis



Feedback from the survey

- Importance rating scored 7.85 points (out of 9 points)
- Satisfaction rating scored 7.54 points (out of 9 points)
- Respondents believe that the logistics facilities to support industries, financial institutions and financial services, and technology innovation platforms are most important
- Respondents are most satisfied with financial institutions and financial services, the corporate communication platform, and the degree of openness and internationalization of the district

Breakdown of Importance/Satisfaction



3.2 Four Major Functional Zones

Four Major Functional Parks and Zones

Haining City has four clearly positioned industrial development sectors: Haining High-Tech Industrial Park, Haining Economic Development Zone (Jianshan District), Zhejiang Haining Warp Knitting Industrial Park (Haining Smart City) and International Tourism Corridor at Haining Hundred-Li Qiantang Riverside. These parks and zones cover the traditional leather, textile and warp knitting industries, as well as a growing number of high-tech enterprises, modern service enterprises and e-commerce businesses.

Haining High-Tech Industrial Park

A provincial-level high-tech industrial park that focuses on the development of various types of traditional manufacturing industries, while striving to develop high-tech industries and advanced manufacturing

Haining Economic Development Zone (Jianshan District)

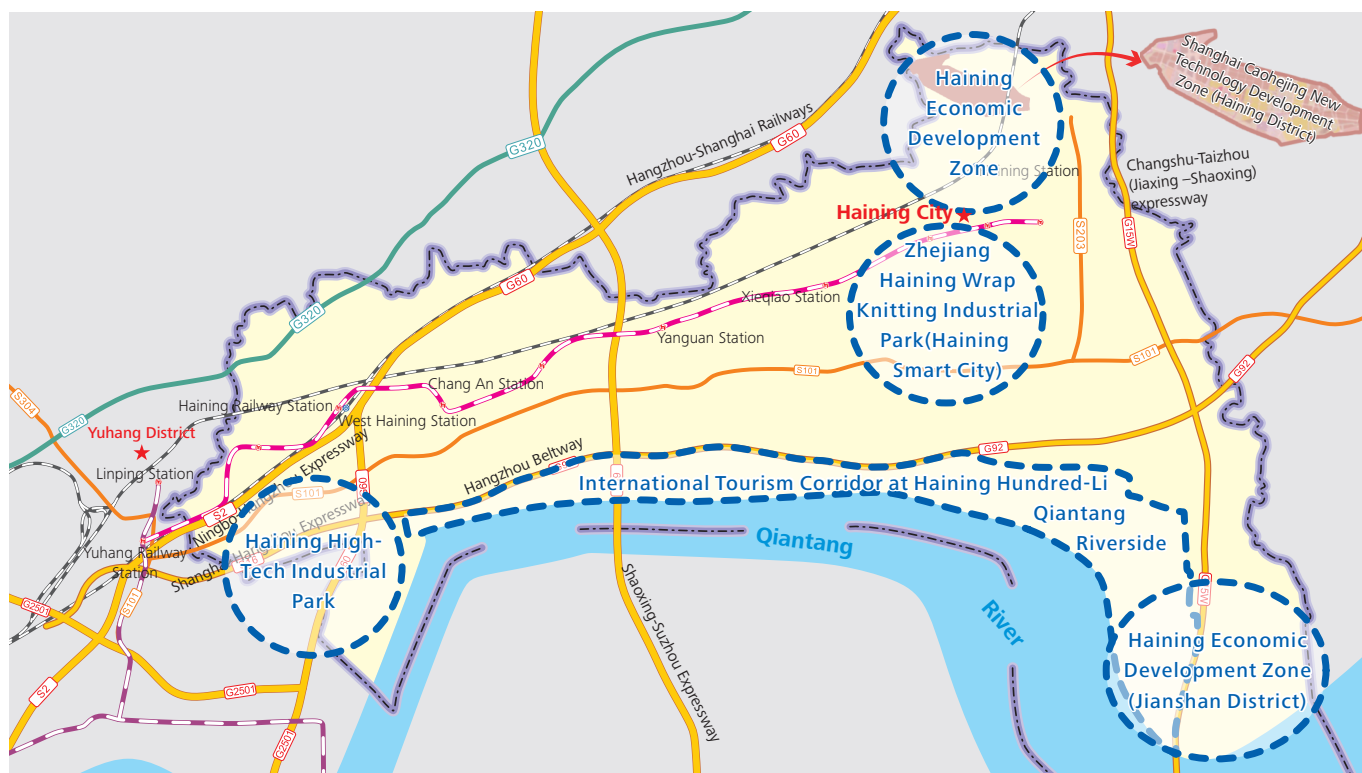
A provincial-level economic zone that includes the Shanghai Caohejing New Technology Development Zone (Haining District), Jianshan District and the Technology Innovation Center

Zhejiang Haining Warp Knitting Industrial Zone (Haining Smart City)

This zone is one of the most concentrated areas in the country for the warp knitting industry. This zone also promotes the development of a headquarters economy and brand innovation

International Tourism Corridor at Haining Hundred-Li Qiantang Riverside

The corridor represents Haining City's efforts to build a modern international tourist attraction, and is one of the key development areas of the modern service industry



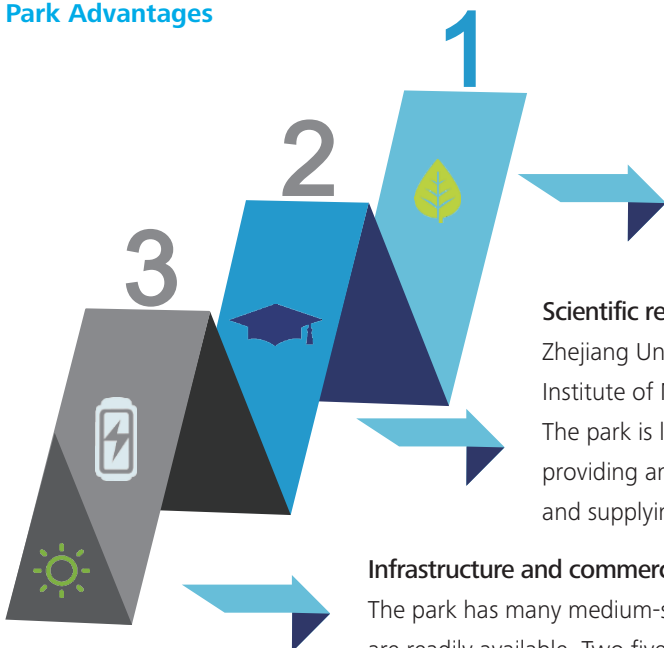
3.3.1 Haining High-Tech Industrial Park

About the Park

Following 20 years of rigorous development, Haining High-Tech Industrial Park has attracted a number of established industries, such as food processing, equipment manufacturing and modern services. The park has created an excellent environment for multi-dimensional and cross-industry joint development, and currently is focused on high-tech and high value-added industries, as well as the development of a model self-sustaining economy for the region.

Main industries represented by enterprises in the industrial park	
Food processing	Zhejiang Wahaha Group
Apparel manufacturing	Xuebao Group
Equipment manufacturing	Zhejiang Xizi Heavy Industry Machine
Pharmaceuticals	Catalent Pharma Solutions
Modern services	Zhejiang Capital Outlets

Park Advantages



Geographical advantages

Haining High-Tech Industrial Park is located at the southern tip of the economically developed Yangtze River Delta region, and closely borders the Hangzhou Economic Development Zone and Yuhang District. Haining High-Tech Industrial Park is an important region in the eastern part of Hangzhou’s metropolitan area. The industrial park is conveniently located near the high-speed rail station and Hangzhou’s Xiaoshan and is only a one-hour drive from Shanghai Pudong International Airport.

Scientific research strength of local human resources

Zhejiang University of Finance & Economics, Dongfang College and Zhejiang Institute of Mechanical & Electrical Engineering have been enrolled in the park. The park is located near Xiasha Campus for Higher Education in Hangzhou, thus providing an abundant supply of technical resources for schools and universities and supplying the high-tech zone with a pool of qualified talent.

Infrastructure and commercial facilities

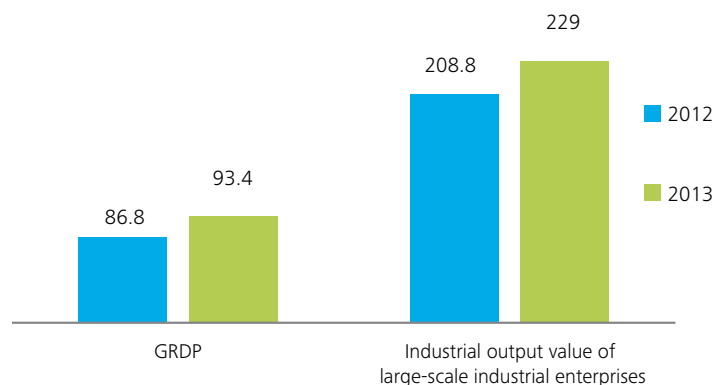
The park has many medium-size and upscale residential areas. Power, water, sewage and heating are readily available. Two five-star hotels will be completed in the near future.

The Industrial Park’s Main Economic Indicators

In 2013, Haining High-Tech Industrial Park realized a GRDP of RMB 9.33 billion. There currently are 156 large-scale industrial enterprises in the region, with an annual output value of RMB 22.9 billion.

Growth of the major economic indicators of Haining High-Tech Industrial Park

Unit: RMB 100 million



Source: Investment projects for Haining’s high-tech zone.

3.3.2 Haining Economic Development Zone (Jianshan District)

Main Economic Indicators of the Zone ①

The Haining Economic Development Zone is a provincial-level economic development zone in Zhejiang Province. In 2013, the zone realized a GRDP of RMB 8.58 billion, representing a year-on-year increase of 17.5%. It also realized an industrial output of RMB 36.99 billion, representing a year-on-year increase of 26.5%, and an industrial production input of RMB 7.21 billion, representing a year-on-year increase of 9.2%.

Zone Planning ②

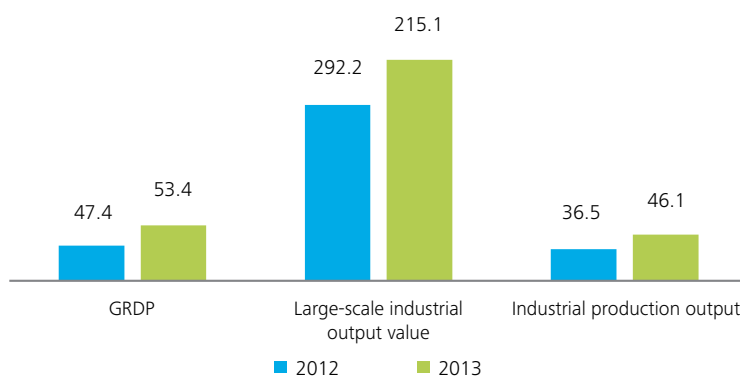
The north part of Haining Economic Development Zone (Jianshan District) is linked to the downtown area. It covers an area of 50.45 km² with 20.5 km² had been developed. The south part of the Zone, namely Jianshan District, locates in the south east of Haining city with a total area of 42 km². It is geared towards modern automotive manufacturing, key parts manufacturing, alternative energy utilization, etc., it also includes business headquarters, leisure, and housing to form a modern integrated riverside park, while serving as a future secondary center for Haining City.

Shanghai Caohejing New Technology Development Zone (Haining District) ③

In December 2009, the Shanghai Caohejing New Technology Development Zone (national-level) and the Haining Economic Development Zone (Jianshan District) collaborated to establish the Shanghai Caohejing New Technology Development Zone (Haining District), occupying a total planned area of 15 km². With the Shanghai Caohejing New Technology Development Zone's advanced technology and management approach, the park has gradually developed into an advanced manufacturing industry cluster focused on alternative energy, advanced materials, electronic information, automobile parts and biomedicine.

Growth of major economic indicators in the Haining Economic Development Zone (Jianshan District)

Unit: RMB 100 million



Highlights of the zone

Well equipped industrial base



At the end of 2013, more than 1,000 companies from around the world had established in the Haining Economic Development Zone, providing obvious economic benefits and a solid industrial base

Excellent living facilities



Haining City provides excellent living conditions and offers a complement of support facilities

Focused government services



Enterprises have access to “one-stop” services, covering everything from negotiations to establishment, and assistance in obtaining all types of licenses. The government also provides training seminars and other personalized services for local businesses

Source:

① Haining City Statistical Report for 2013

② Investment Guide for Haining Economic Development Zone (Jianshan District)

③ Comprehensive promotional materials for Jianshan District

3.3.3 Zhejiang Haining Warp Knitting Industrial Park (Haining Smart City)

Solid Industrial Base

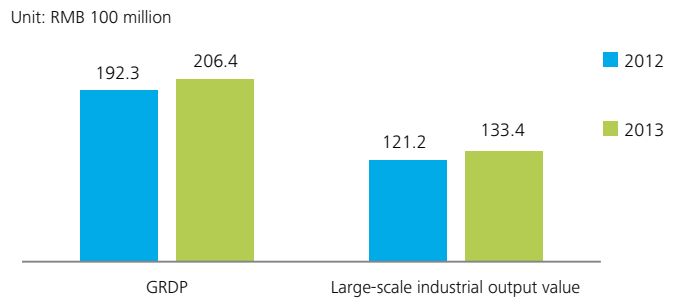
As one of Zhejiang Province's first provincial-level special industrial zones, the Warp Knitting Industrial Part is the leading industry cluster in the region and one of the most concentrated areas in the country for the warp knitting industry. Park management is now looking to expand the scope of the park to become a location for the modern services industry.

Haining's Smart City

Haining's "Smart City," officially established in May 2014, targets the strategic development of the modern service industry. The park currently is home to 201 registered service enterprises that employ 1,498 persons and has a total registered capital of RMB 1.73 billion. The city also is focused on the development of "smart" innovation, financial services, human resources, industrial design, development testing, outsourcing, e-commerce and the establishment of corporate headquarters.

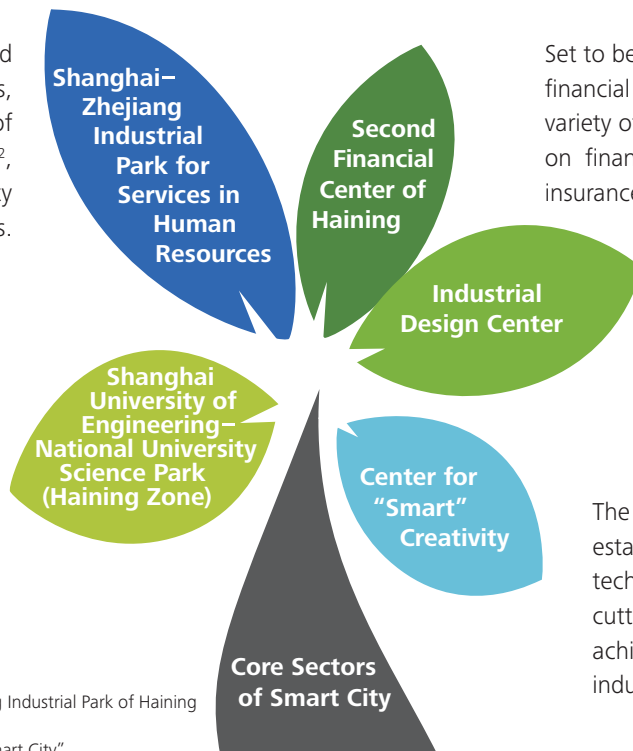
- 8** Projects of eight enterprises have become part of the National Torch Program
- 90** Within the region, KS and biaxial have captured 90% market share of the entire country for warp knitting and related equipment
- 508** There were 508 enterprises clustered within the park in 2013
- 2000** Enterprises in the region have capacity to produce more than 2,000 types of warp knitting products

Growth of the major economic indicators of Zhejiang Haining Warp Knitting Industrial Park(Haining Smart City)



Haining City's first specialized park for human resources, with a total planned area of approximately 10,000 m², will introduce high-quality human resource agencies.

The first national university science park has been set up. With a planned area of 110,000 m², the park is designed with four distinct sectors: business incubator, R&D accelerator, industrial cooperation; and functional area support.



Set to become Haining City's second largest financial cluster, the financial center will host a variety of financial services enterprises focused on finance leasing, micro-financing, funding, insurance, etc.

With the Warp Knitting Institute serving as its core, the center will help match up service projects with appropriate research institutions in fields such as product testing, technological R&D, industrial design, outsourcing, etc.

The center is designed to encourage the establishment of e-commerce and creative technology enterprises. A platform to display cutting edge scientific and technological achievements and foster new types of industries is under construction.

Source:
Investment Introduction: Warp Knitting Industrial Park of Haining City, Zhejiang Province
Investment Introduction: Haining's "Smart City"

3.3.4 International Tourism Corridor at Haining Hundred-Li Qiantang Riverside

Park Planning^①

International Tourism Corridor at Haining Hundred-Li Qiantang Riverside has been under construction since 2012. The corridor will promote the “Qianjiang Tide” and the “Millennium City” brand.

China’s first “Angry Birds” theme park, which is officially licensed through cooperation with the Finnish company, has been established within the park. A five-star hotel and the Kyoto Century Television Cultural Center of Zhejiang will be completed in the near future.

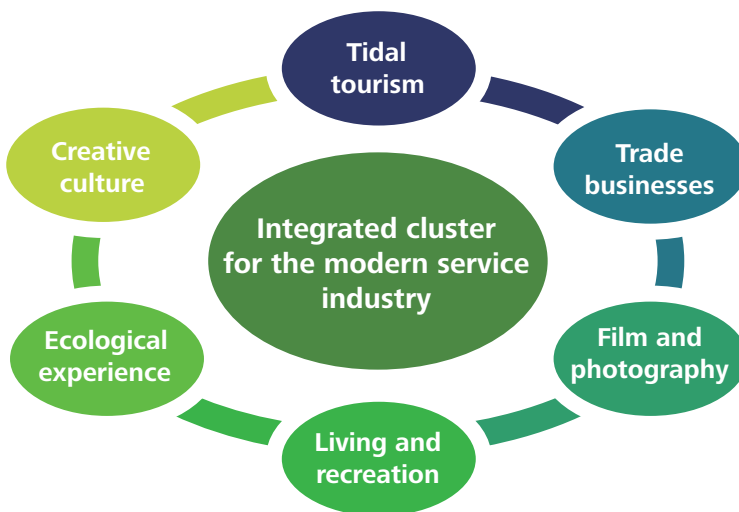
Yanguan’s Baili Qiantang Tidal Bore Observation Scenic Spot^②

Yanguan’s Baili Qiantang Tidal Bore Observation Scenic Spot has won awards, such as the “Top 10 Brand Tourist Spots in Asia,” “China’s Historical and Cultural Town” and the “Gold Card of Zhejiang Tourism.” With a scenic area that stretches of 106 km², it has been designated a national AAAA-level tourist attraction. Yanguan’s Baili Qiantang Tidal Bore Observation Scenic Spot has planned to form a regional center for Yanguan’s ancient city that hosts modern service industries in an eco-friendly, cultural and innovative environment.



Source:

- ① Investment Guide for Haining’s 100-li International Tourist Promenade along the Qiantang River
- ② Haining City Statistical Report for 2013



Rich Humanities accumulation

International Tourism Corridor at Haining Hundred-Li Qiantang Riverside contains rich Humanities accumulation, providing perfect environment for the construction of modern service industry clustering area and develop tourism industry.

Jin Yong College

At the end of 2008, with the great support of Mr. Jin Yong, the construction of Jin Yong College began, which was finished and open to public in 2010. Jin Yong College is a Jin Yong literature research institute, which integrates the function of holding lecture and shows, collecting books and entertaining.

The former residence of Mr. Wang Guowei

The former residence of master of Chinese culture, Mr. Wang Guowei is the place where he lived during his childhood and where he started to learn Chinese Culture, who turned out to become a master of Chinese culture. The residence shows the master's works during different stages of life, surrounded with rich scholarly atmosphere.



4. Human Resources

4.1 Research Summary on Human Resources

4.2 Human Resource Supply

4.3 Human Resource Costs

4. Introduction

The commercial aspects of human resources are important for encouraging the development and expansion of enterprises and industrial upgrades. Haining attracts many investors with its relatively abundant supply of human resources at competitive wages. In addition, with the city's prominent and advantageous location, Haining's neighboring cities are also capable of providing a deep talent pool to satisfy the personnel needs of enterprises in Haining.

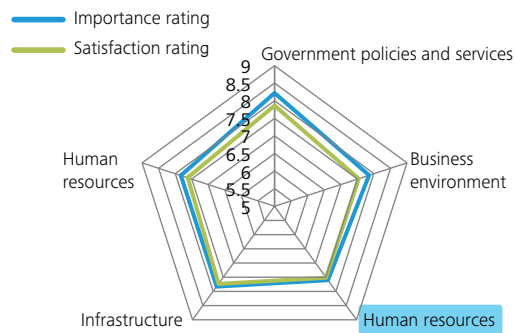
Haining City has policies designed to attract innovative personnel to the area. For example, our company has about 4,000 employees, 90% of whom come from areas near Haining City. Our staff is relatively stable with a low turnover rate. We also have Australian employees with doctorate degrees, high-end talent from Taiwan and scientific research personnel from the US. Haining was the primary choice for these individuals as a place to settle down and launch their careers.

——JinkoSolar Holding Co., Ltd.



4.1 Research Summary on Human Resources

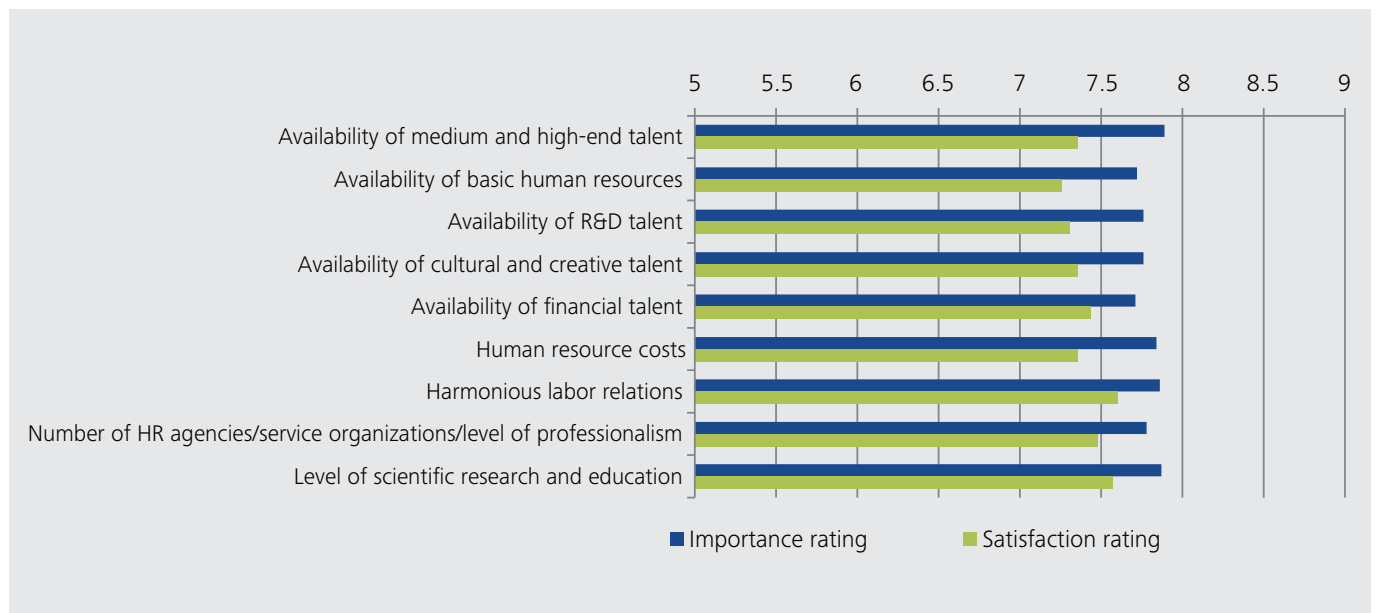
Importance/Satisfaction



Feedback from the survey

- Importance rating scored 7.6 points (out of 9 points)
- Satisfaction rating scored 7.52 points (out of 9 points)
- Respondents believe that the availability of medium and high-end talent, the level of scientific research and education, and harmonious labor relations are most important
- Respondents are most satisfied with the level of scientific research and education, harmonious labor relations, the number of human resource agencies/service organizations, and the level of professionalism in the city

Breakdown of Importance/Satisfaction



4.2 Human Resource Supply

Haining City relies on its own technical schools and universities, as well as the educational resources and labor markets from surrounding areas such as Jiaxing City, Hangzhou and Shaoxing City to ensure that the human resource needs of local industries can be met.

Supply of Skilled Personnel

Haining City is home to more than 10 vocational and adult technical education schools that provide enterprises with more than 5,000 high-quality technical personnel annually.^①

- Haining Senior Technical School
- Haining Vocational High School

Encouraging Employment

Haining City believes it is important to utilize the local market to meet personnel needs of enterprises, and to this end, the city organizes matchmaking and networking events, training sessions, job fairs, etc.

In 2013, Haining City organized 114 job fairs, which resulted in 135,000 jobs, as well as 107 training courses that enabled over 10,000 individuals to receive skills training.^②



Educational Resources for Higher Learning

Haining City has made great strides in developing and building institutions of higher learning to provide quality personnel for local industries.

- Zhejiang University of Finance & Economics
Dongfang College
- Relocation of the Institute of International Relations (Hangzhou Campus)
- Zhejiang University's International Union College (Haining International Campus)
- Zhejiang Institute of Mechanical & Electrical Engineering

Surrounding cities also provide a wealth of higher education resources. As of 2013, Jiaxing City had 10 higher education institutions, six of which are full-time colleges. Hangzhou has 38 general higher education institutions, Shaoxing City has nine and Ningbo City has 16.^③

- Zhejiang University (Hangzhou)
- Zhejiang University of Technology (Hangzhou)
- Tongji Zhejiang College (Jiaxing City)
- Ningbo University (Ningbo City)
- University of Nottingham Ningbo China (Ningbo City)

Source:

① Investment Introduction on 2013 China-Haining's International Tide Fair and Investment Seminar

② Haining City Statistical Communiqué on National Economic and Social Development for 2013

③ Jiaxing City, Hangzhou, Shaoxing City and Ningbo Statistical Communiqué on National Economic and Social Development for 2013

4.3 Human Resource Costs

Labor Costs

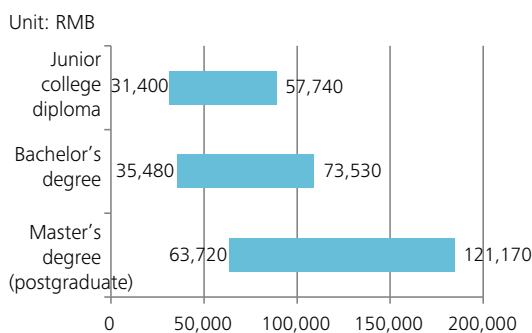
The average wage for full-time workers in Haining City in 2013 was RMB 44,046. Compared to neighboring cities such as Hangzhou and Ningbo City, Haining City has a competitive edge with respect to labor costs.^①

Social Security Costs

Enterprises in China pay social security for their employees. This includes medical insurance, pension insurance, payments to the housing fund, etc.

The corporate commitment to social security in 2013 accounted for 33.6%-36.6% in relation to total wages in Haining City.^②

Wage (annual salary) guidelines for the Jiaxing City human resource market for 2013^③



Proportion of corporate social security to wages in Haining City for 2013

Pension insurance	14%
Unemployment insurance	2%
Medical insurance	7%
Injury insurance	0.8%
Maternity insurance	0.8%
Housing fund	9%–12%
Total	33.6%–36.6%



Deloitte Perspectives

Enterprises gradually have realized the importance of arranging in-house training programs for personnel. The pendulum of talent management has swung from recruitment to talent development.

Deloitte believes that cutting edge talent development must be combined with on-the-job training, project involvement, networking, formal education/training, and personal experience to realize behavioral changes that satisfy business needs and objectives.

——From “Deloitte’s Global Human Capital Trends 2013”

Source:

① “People’s Government of Haining City on adjusting the social insurance for the annual base for 2014 and related issues,” Hai Zheng Fa [2014] No. 28

② “Notice published on occupation (jobs) guidelines for wage levels of enterprises in the human resources market in 2013 for Jiaxing City,” Jia Ren Shi [2013] No. 148

③ Hotline for security in human resources in Haining City and the website of the housing fund for Haining City

5. Infrastructure

5.1 Research Summary of Infrastructure

5.2 Convenient transportation

5.3 Business Infrastructure

5.4 Urban Infrastructure

5 Introduction

A well-developed infrastructure is both a prerequisite for the ability of enterprises to operate efficiently and a cornerstone of the long-term stable, sustainable development of an industrial district. Convenient transportation facilities and commercial facilities infrastructure are important factors in this regard.

Located in the heart of the Yangtze River Delta region, Haining City is uniquely positioned between Shanghai and Hangzhou with a three-dimensional transportation system via water, land and air.

The city offers a supply of office buildings, convention centers, hotels and other facilities and is continually improving the supply of water, electricity and other energy sources.

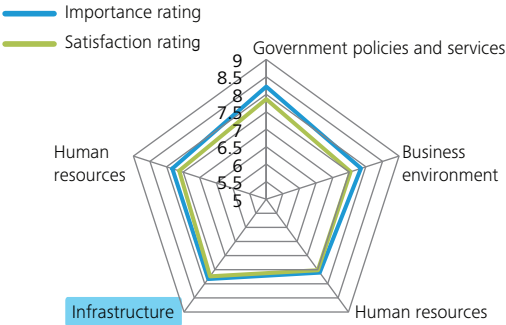
Haining City has provided considerable benefits to our company, both in terms of support for the upstream and downstream supply chain. Most of our raw material suppliers are located in Jiangsu and Zhejiang Provinces. With sales and customers mainly in the Shanghai area, Haining City holds a distinctive advantage within the Yangtze River Delta region. The developed transportation network provides an even greater convenience for the business, and the accessibility of various airports enables us to commute, visit and welcome domestic and overseas customers.

——Zhejiang Johnson Controls Wanfang
Textile Technology Co., Ltd.



5.1 Research Summary of Infrastructure

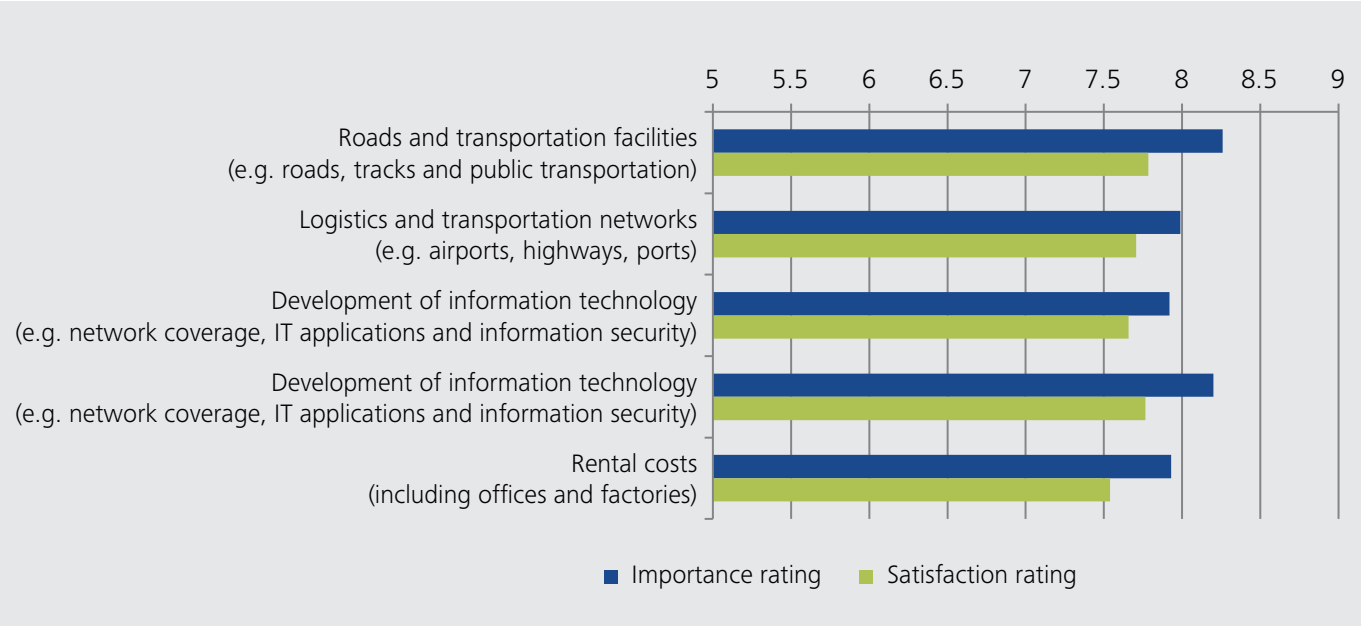
Importance/Satisfaction



Feedback from the survey

- Importance rating scored 7.83 points (out of 9 points)
- Satisfaction rating scored 7.73 points (out of 9 points)
- Respondents believe that the roads and transportation facilities, basic support functions and rental costs are the most important
- Respondents are most satisfied with the roads and transportation facilities, basic support functions, and the logistics and transportation networks

Breakdown of Importance/Satisfaction



5.2 Convenient transportation

Haining City has a convenient road, rail and air transportation network that ensure an interactive flow of capital, information, technology and talent.



Highway Transport

Five expressways intersect inside Haining City. The major cities of Jiangsu Province and Zhejiang Province, and Shanghai are within a one to two-hour drive. An expressway entrance or exit can be reached within a 10-minute drive.

The Jiashao expressway and the Qianjiang tunnel, which opened in 2014, create closer connections with Haining City, Hangzhou and Shaoxing City. The drive between Haining City and Shaoxing City is now 40 minutes and the drive from Haining City's Yanguan to Hangzhou's Xiaoshan was shortened to 5 minutes.^②

Main transport hub	Distance from Haining City (by car)
Shanghai Hongqiao International Airport	60 min
Shanghai Pudong Airport	90 min
Hangzhou Xiaoshan Airport	40 min
Ningbo Port	60 min
Jiaxing Port	20 min

Water Transport

Haining is surrounded by four major ports: Shanghai Port, Yangshan Port, Ningbo-Zhoushan Port, Jiaxing Port (Zhapu Port). Inland waterways, along with the ports of Jiaxing and Hangzhou, provide a seamless and convenient way to ship containers, while achieving a water transport system that utilizes both the sea and rivers.^①

- Shanghai Port: Located 100 km from Haining City, and with a container throughput ranked first in the world, Shanghai has established shipping and trade links with more than 500 ports in 200 countries and territories around the world, serving more than 600 shipping lines.
- Ningbo-Zhoushan Port: Located 100 km from Haining City, and with a total port cargo throughput ranked first in the world and a container throughput ranked third in China, it is one of four international transshipment ports in China, and can accommodate 300,000 ton cargo ships.
- Jiaxing Port: Located 50 km from Haining City, and it is the only sea gate port in northern Zhejiang. It also is a national first-class open port, providing six offshore ton berths and four kiloton berths.
- Yangshan Port: Located 150 km from Haining City, and it is one of China's four major bonded port. In 2013, Yangshan Port's container throughput reached around 15 million TEUs.

Haining City's Main Expressways	
Shanghai - Hangzhou (Shanghai-Kunming) expressway	Shanghai - Kunming
Changshu-Taizhou (Jiaxing - Shaoxing) expressway	Changshu - Taizhou
Shanghai-Hangzhou Expressway	Shanghai - Hangzhou
Hangzhou Beltway	Ningbo - Nanjing
Qianjiang Channel	Haining - Xiaoshan

Source:

① Website for Jiaxing Traffic Information

② Haining Bureau of Commerce

5.2 Convenient Transportation (cont'd)

Air Transportation

Haining City is surrounded by five major airports: Shanghai Pudong International Airport, Shanghai Hongqiao International Airport, Hangzhou Xiaoshan International Airport, Ningbo Lishe International Airport and Sunan Shuofang International Airport. Hangzhou Xiaoshan International Airport and Shanghai Pudong International Airport are 4F-level international airports that provide international transportation and business travel.^① Hangzhou Xiaoshan International Airport, the closest airport to Haining City, is about a 40-minute drive.

In 2013, the passenger throughput for Hangzhou Xiaoshan International Airport reached 22.11 million people. The airport serves 52 airlines with more than 190 domestic and overseas routes, and 104 destinations (68 domestic, 29 overseas and seven in the region).



Source:

① A 4F-class airport refers to an airport that uses a runway with a length of 1,800 meters, with the largest wingspan available in intervals [65 m, 80 m] as well as a distance of the outer main gear wheel span ranging from [14 m, 16 m].

② Information provided by Haining Bureau of Commerce

③ Haining City Statistical Report (2013)

④ Website of Jiaxing Transportation Information

Railway Transportation

The Shanghai-Hangzhou high-speed train travels through Haining City. It takes 45 minutes by high-speed rail to travel from West Haining Station to Shanghai Hongqiao Station, and only 20 minutes to reach Hangzhou. Surrounding cities, such as Wenzhou, Ningbo, Suzhou, Wuxi and Changzhou, are all accessible within one-hour via the high-speed rail system.

The Hangzhou-Haining intercity railway, currently in the planning stages, will further encourage the full integration of Haining City into Hangzhou's economic zone and further enable the sharing of resources. Direct travel will be facilitated by linking with high-speed railways and Hangzhou's railways at relevant stations along the intercity rail.^②

Urban Transportation

Haining City has made a number of refinements to its road network. A new 13.3 km urban road was built in 2013 with an area of 380,000 m². Besides, the government is encouraging the development of low-carbon, green, efficient and intensive transportation options that promote the sustainable development of transportation infrastructure within the region.^③

• Public-Oriented Transportation System

Haining City continues to improve its urban public transportation facilities in line with the "green transport" requirements. In March 2014, a free transfer policy was implemented for city buses. City bus cardholders can now benefit from a free one-hour transfer to facilitate travel.^④

• Public bicycles

Since 2012, Haining City has built 111 public bicycle stations within the city, providing 3,000 public bicycles. This undertaking has deepened the city's commitment to energy conservation, promotion of low-carbon living and green travel.^④



5.3 Business Infrastructure



Hotels

At the end of 2013, Haining City was home to a number of star-rated hotels, which are located in convenient locations for business meetings and travel.

- Haizhou Hotel
- Royal Palace Hotel Haining
- Langham Place, Haining
- Grand Palace Resort
- D.H. Hotel
- Huafu Hotel
- Grand Pacific Hotel
- New Century Hotel (under construction)

Office Buildings

Haining City has classified the downtown area as its main core, and is promoting the area to develop its building-based economy. The city has entered into construction agreements with 18 enterprises to develop their corporate headquarters, with a total construction area of 700,000 m². Some of these developments, which already have been completed, include Guanghua Tower and China's warp knitting headquarters.

Full-service commercial buildings (such as the Guanglong Fortune Plaza and Longxiang Business Center) and complexes (e.g. the Intime Shopping Mall and the Mingly Metro) have been constructed to attract foreign companies to the area. These comprehensive shopping centers, hotels, and high-end office buildings are enabling Haining City to position itself as a venue for commerce and a cosmopolitan lifestyle.



Convention Facilities

Currently under construction, Haining City's Convention Center will occupy an area of approximately 12,000 m² and a construction area of nearly 35,000 m². The center will have three halls, three conference rooms and an outdoor plaza and will be able to accommodate 600 international-standard sized booths for conferences, exhibitions, performing arts events, and other activities of varying scales.^①

Source:

① Haining Bureau of Commerce

5.4 Urban Infrastructure

Land and Factory Supply

Investors in China have the option to construct their own factories or lease or purchase existing plants and buildings.

The Haining municipal government will provide key enterprises and projects with priority for land depending on the industry, the contribution to the local economy, energy conservation, etc.^①

Water Supply

Nine companies are responsible for the water supply, pipeline installation, testing, sewage, etc. The Haining City government is increasing the scale of its pollution control efforts and the protection of drinking water sources. In addition, the government will continue to expand its water supply network. In 2013, 16.4 km of new water pipes were added, creating a total network of 625.6 km.

Haining City's reference water prices for 2013^②

Category	Water price (RMB/m ³)
General industries	2.7
Business services	2.7

Haining City's reference Industrial electricity prices for 2013^③

Category	Power price list (RMB/kWh)					
	Below 1 kV	1 to 10 kV	Between 20 to 35 kV	Between 35 to 110 kV	110 kV	220 kV and above
Electricity consumption for general business sector, etc.	0.946	0.908	0.888	0.878		
Electricity consumption for large-scale industrial use		0.705	0.685	0.675	0.653	0.648

Source:

① Briefs on reforms on the comprehensive allocation of market factors in Haining City

② Website for Haining Waterworks

③ Information provided by the Haining Economic and Information Technology Bureau

④ Zhejiang Jiaying Electric Power Bureau

⑤ Notice on adjusting the sales price for the provincial power grid by the Zhejiang Price Information Bureau



Information and Communication

The degree to which information and communication is developed is a significant yardstick for assessing the progress of a "smart city." Haining City has 25 areas that contain more than 200 AP (wireless access) hotspots. The city has achieved full coverage of its public transportation wireless network and is promoting the development of a "4G" network, which is expected to be complete by the end of 2014.^④

Electricity Supply

The Haining City government has actively developed the electric power infrastructure to improve reliability and safety and has provided substantial financial support for enhancing the construction of the distribution network and renovation projects. The city is working on a new 220-kV power transmission project and is expanding its 110-kV power transmission project to better serve local economic development.^⑤

6. Living Environment

-
- 6.1 Research Summary of the Living Environment
 - 6.2 Comfortable Living Environment
 - 6.3 Improving Education and Medical Resources
 - 6.4 Cultural Attractions

6 Introduction

The quality of a living environment takes into account factors, such as the availability of residential housing, educational and medical facilities, culture and the natural landscape. A good living environment has a direct impact on the work and home life of the population.

Haining City has all the ingredients of a harmonious living environment: convenient residential facilities, relatively strong educational and medical facilities, modern conveniences, a rich culture and a beautiful natural scenery. In addition, the city is featured with its advanced security.

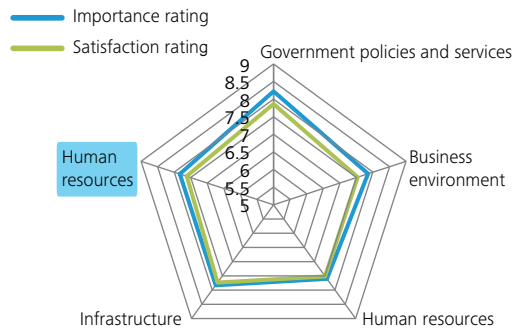
Haining City's Awards

- One of China's first coastal cities and counties to open to the outside world
- Top 100 counties and cities in terms of national comprehensive strength
- Nationally recognized as a city for tourism
- International-level ecological pilot city
- National-level garden city
- National-level hygienic city
- Pioneer city of Zhejiang Province featured with advanced security
- Provincially recognized as "Model City of Civilization"
- Provincially recognized as "Renowned Historical and Cultural City"



6.1 Research Summary of the Living Environment

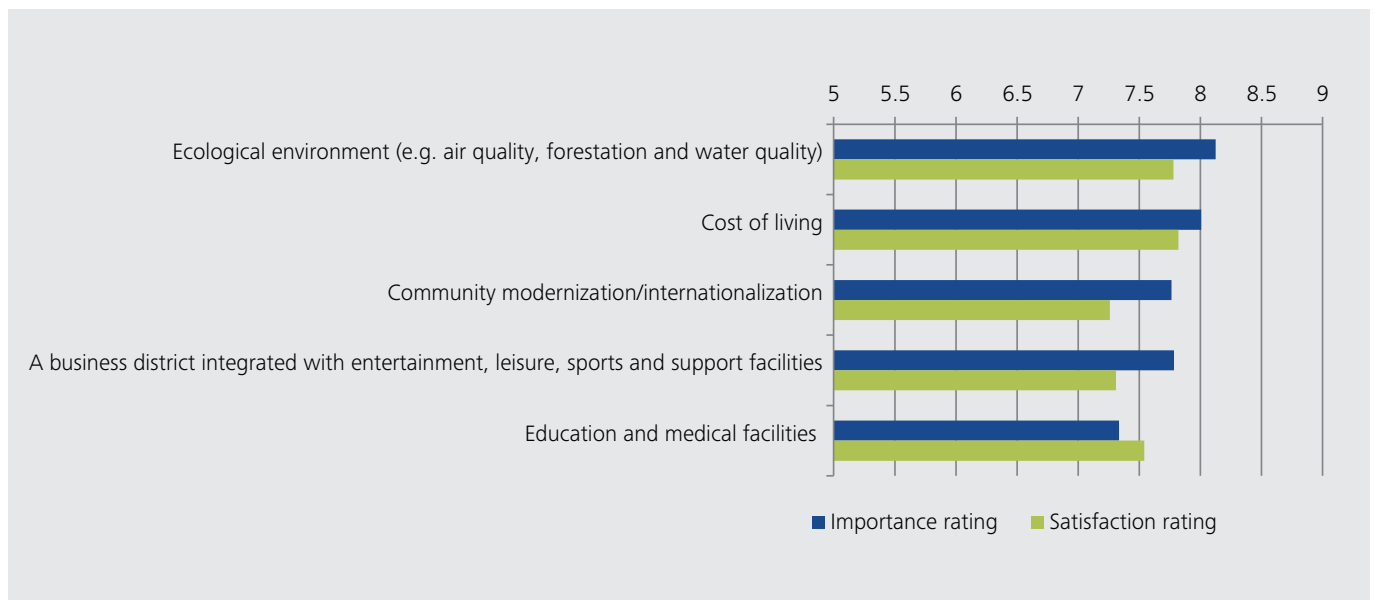
Importance/Satisfaction



Feedback from the survey

- Importance rating scored 7.82 points (out of 9 points)
- Satisfaction rating scored 7.62 points (out of 9 points)
- Respondents believe that the ecological environment, cost of living, and a business district integrated with entertainment, leisure, sports and support facilities are the most important
- Respondents are most satisfied with the cost of living, the ecological environment, and the education and medical facilities

Breakdown of Importance/Satisfaction



6.2 Comfortable Living Environment

Climate and Ecological Environment

Haining City has a northern subtropical climate with humid maritime weather. It has four distinct seasons, and an abundance of rainfall and sunshine. The average annual temperature is 15.9°C, with an average rainfall of 1,187 mm, an average of 2,002.9 hours of sunshine and 233.5 frost-free days.^①

At the end of 2013, Haining City had an urban development area of 35.4 km² and an urban green coverage rate of 43.7%.



Sports Venues/Facilities

- Jianshan Golf Course (A 36-hole international championship-level golf course)
- Haining Sports Center
- Haining International Roller Rink
- Sports Center Swimming Pool

Sports Events

- 2014 China Amateur Golf Futures Tour at Haining Station
- 2014 World Snooker Players Tour (opening event in Haining City)
- The 14th Haining City Games Cycling Race for the “Qiantang River Grand Tribune” Cup 2014
- 2014 16th Asian Roller Skating Championships



Modern Residential Community

The variety of residential options, hospitals, schools, shopping centers and other modern conveniences make for a high-quality living environment, and the government is continuing to make further improvements to public facilities.

Culture, Art and Recreation

Haining City offers its residents access to a variety of cultural arts and leisure facilities.

Haining City is home to six museums and art galleries that cover an area of over 27,000 m². Also located in the city are the former residences of the great master, Wang Guowei, the mansion of the “Crescent Moon” poet, Xu Zhimo, the martial arts academy of Louis Cha and other literary figures.^②

Source:

① Website for China Weather

② Information provided by Haining Bureau of Commerce

6.3 Improving Education and Medical Resources

Educational Resources

At the end of 2013, Haining City had 27 primary schools, 28 regular middle schools, four vocational schools and 64 kindergartens, satisfying the enrollment needs of students of all ages.



International Schools

Several high-quality international schools are located within Haining City's one hour residential zone to meet the educational needs of children of expatriate personnel.

- Haining HTC (International) Kindergarten Affiliated with Shanghai International Studies University
- Jiaxing Nanhu International Experimental School
- Hangzhou International School
- Shaoxing Textile City International School
- Rainbow Bridge International School Shanghai
- Shanghai Community International School



Medical Resources

Haining City has 22 hospitals and medical institutions, including three provincial level "green" hospitals. There are 5,040 health technicians that include 1,580 practitioners and practicing physician's assistants, 1,959 registered nurses and 3,282 hospital beds.

Haining City's Medical resources

Medical institutions (clinics)	No. of beds	Practitioners/ physician assistants	Registered nurses
22	3282	1580	1959



Haining City's Medical Institutions

- People's Hospital of Haining City (Shanghai Changhai Hospital (Haining Branch))
- Haining Hospital of Traditional Chinese Medicine (TCM)
- No. 3 People's Hospital of Haining City (Zhejiang Haining People's Hospital)

AAA Hospitals in the Surrounding Area

- First Hospital in Jiaxing
- Jiaxing Maternity and Child Health Care Hospital
- Second Hospital of Jiaxing

Source:
Haining City Statistical Communiqué on National Economic and Social Development for 2013

6.4 Cultural Attractions

Haining is one of the birthplaces of the Liangzhu culture. It is also the birthplace of many exceptionally talented individuals which have left their legacy in the city's rich cultural landscape and historical sites.

Yanguan's Tidal Bore Observation Scenic Spot

Located on the north shore of the Qiantang River, Yanguan's Tidal Bore Observation Scenic Spot is listed as a national AAAA-level tourist attraction. Haining is an ideal place to watch the tide. In 2006, the National Tourism Administration named Haining City as "China's most attractive destination."



Xishan Park

Xishan Park, located in the Cangji riverside in the northern part of Haining City, covers an area of 165 mu (about 27.18 acres). The park is adjacent to mountains and rivers and has ample foliage, a forest and winding streets. Xishan Mountain, also known as Ziwei Hill, has a rich cultural landscape and serves as the backdrop to many local legends.

Former residence of Xu Zhimo

Xu Zhimo, China's famous modern "Crescent Moon" poet and essayist, married Lu Xiaoman in a small Western-style residence. Built in 1926, the home features Chinese and Western architectural styles. The home's interior showcases the work and daily life of Xu Zhimo.



Source:
Website of Haining Tourism Bureau

Summary

This report on the investment environment of Haining City was compiled using interviews and questionnaires conducted with enterprises established in Haining City. Haining City's top three advantages are as follows:

1. Open and Service-Oriented Government

The Haining City government has a full understanding of what is needed to effect economic transformation and upgrades to its existing industrial structures. These requirements generally are policy-based, and include a commitment by the government to promote innovation and provide a framework for emerging targeted industries to develop at a scale and speed required to meet the above objectives.

The government also recognizes that it is imperative to consider the actual day-to-day operating needs of enterprises. Haining City offers a flexible, comprehensive administrative and transparent public policy environment that supports the needs of existing enterprises, as well as the development of emerging enterprises and that serves to attract other enterprises to set up in the city.

2. Leading Infrastructure

Haining City is located at the heart of the Yangtze River Delta region economic zone. It has a convenient road, rail and air transportation network that ensure an interactive flow of capital, information, technology and talent. The city has devoted considerable resources to upgrading its business infrastructure and the supply of electricity, water, etc. To meet the requirements for further industrial/corporate transformation and upgrades, the city has built a platform to develop emerging industries and modern services and is planning the construction of high-quality office buildings, hotels and convention facilities to accommodate and support a variety of business activities.

3. Comfortable living environment

As a tourist destination, Haining City has a beautiful environment that is green, low carbon and eco-friendly. Accompanied by a rich cultural heritage, the city has convenient municipal transportation facilities, modern lifestyle communities, schools, hospitals, etc., and the government is committed to further upgrades to these facilities. With its well-developed transportation system, Haining City is fully integrated with the neighboring cities of Shanghai, Suzhou and Hangzhou, thus enabling it to offer a cosmopolitan lifestyle.

Conclusion

The “12th Five-Year Plan” is nearing its completion. During its years of development, Haining City’s achievements in municipal construction and economic development are quite apparent, and the city’s influence continues to grow rapidly. The complex economic environment both at home and abroad will provide both opportunities and challenges for Haining City.

Looking to the future, Haining City will continue with industry transformation and upgrades as its primary mandate and, at the same time, forge ahead with the development of strategic emerging industries and a modern services system. These efforts will create future competitive advantages with high economic value for the city and the region in general. They also will transform Haining into a robust city that attracts cultural tourism, protects the environment and enriches the lifestyle of its residents. As a result, the city’s brand image will become more recognizable and Haining City will be positioned as a destination for investment.

Deloitte would like to thank the People’s Government of Haining City, the Haining Bureau of Commerce, as well as various industrial function zones, for their support in sharing information for purposes of this report. We also would like to thank the enterprises in Haining City for participating in our research and interviews and for sharing their valuable insights.

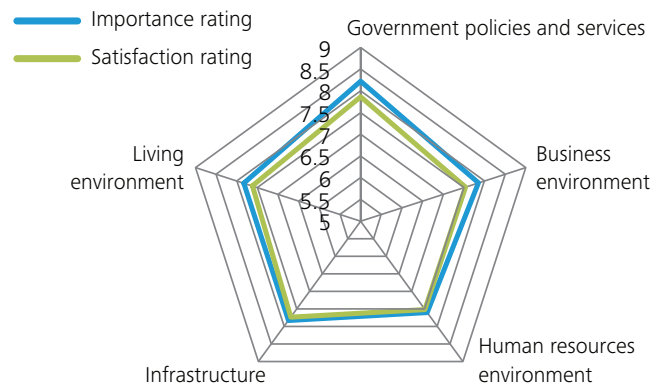
Research Summary on the Satisfaction and Importance of the Investment Environment

Based on five categories concerning Haining City’s investment environment, enterprises believe the three most satisfying factors are:

- 1) Government policies and services
- 2) Infrastructure
- 3) Living environment

Based on the five categories concerning Haining City’s investment environment, enterprises believe the three most important factors are:

- 1) Government policies and services
- 2) Business environment
- 3) Infrastructure



Appendices

-
- 1 Registered capital and total investment of foreign-invested enterprises
 - 2 Main taxes applicable to foreign-invested enterprises

Appendix I: Registered Capital and Total Investment of Foreign-Invested Enterprises (FIEs)

Capital Contributions^②

Foreign investors can contribute capital with freely exchangeable foreign currency or tangible/intangible property, such as machinery and equipment, industrial property rights and/or proprietary technology, etc. Cross-border RMB also can be used for direct investment. Subject to the approval of the relevant authorities, foreign investors can make capital contributions using RMB profits earned by other FIEs set up in China.

Proportion of Total Investment and Registered Capital^③

Investors wishing to set up an FIE in China must comply with the rules governing the ratio of registered capital to total investment. Compliance with these rules also is required for an increase in capital, but not for the total investment after the increase.



Contribution Requirements^②

The registered capital of a limited liability company is the total equity or capital contributions to be paid in full by the shareholders, which is registered with the government authorities. The minimum paid-up value and the minimum registered capital of a limited liability company must be in compliance with administrative regulations and decisions of the State Council.

Shareholders must fully pay their subscribed capital contributions as stipulated in the company's articles of association. Cash contributions must be deposited in the company's bank account. Noncash contributions must be made in compliance with the law. Shareholders that fail to make full payment of their capital contributions are jointly and severally liable for that amount to the company and other shareholders, as well as to creditors if the company is unable to pay its debts.

Total investment	Registered capital
Over USD 30 million	At least 1/3 of the total investment, but if the total investment of a project is less than USD 36 million, the registered capital must be at least USD 12 million
Between USD 10 million and USD 30 million	At least 40% of the total investment, but if the total investment of a project is less than USD 12.5 million, the registered capital must be at least USD 5 million
Between USD 3 million and USD 10 million	At least 50% of the total investment, but if the total investment in a project is less than USD 4.2 million, the registered capital must be at least USD 2.1 million
Less than USD 3 million	At least 70% of the total investment

Source:

- ① Rules for the Implementation of the Law of the People's Republic of China on Foreign-Funded Enterprises (State Council Order No. 301 (2001))
- ② Company Law of the People's Republic of China (Chairmen's Order No. 8 (2013))
- ③ Provisional Regulations for the Proportion of Registered Capital to Total Amount of Investment of Joint Ventures Using Chinese and Foreign Investment (State Administration for Industry and Commerce No. 38 (1987))

Appendix II: Main Taxes Applicable to FIEs

Income tax	Scope of taxation	Tax rate
Corporate income tax	Resident enterprises are subject to corporate income tax on income derived within China and abroad. Nonresident enterprises are subject to corporate income tax on income derived within China and income generated outside China but effectively connected to their offices and places within China.	Statutory tax rate: 25% Small profit tax rate: 20% High-tech corporate tax rate: 15% Withholding tax rate: 10%
Personal income tax	An individual who is resident in China or who is not resident in China, but has stayed in China for a full year is subject to personal income tax on worldwide income. An individual who is not resident in China and has not stayed in China or who is not resident, but has stayed in China for less than one year is subject to personal income tax on income derived from China-source income. There are 11 types of income, including wages and salaries and compensation for labor.	Statutory tax rate: 3%-45%
Turnover tax	Scope of taxation	Tax rate
Value-added tax	VAT is levied on an individual or entity engaged in the sale of goods, the provision of processing, repair and replacement services, the provision of certain modern services and the import and transport of goods.	Statutory tax rate: 0%, 6%, 11%, 13%, 17%
Consumption tax	Consumption tax applies to individuals and entities engaged in the production, outsourcing of processing and the import or sale of 14 categories of consumer goods (e.g. cigarettes, alcohol, cosmetics, etc.). The consumption tax amount is derived from a calculation of an ad valorem rate and a fixed amount. There are 14 classes of taxable consumer goods, including cigarettes, alcohol and cosmetics.	Ad valorem statutory rate: 1%-56%
Business tax	Business tax is imposed on entities and individuals that provide taxable services, transfer intangible assets or sell real estate in China.	Statutory tax rate: 3%-20%
Customs duties	The consignee of imported goods, the consignor of exported goods and owners of imported goods are required to pay customs tariffs.	Varies
Other taxes	Scope of taxation	Tax rate
Deed tax	Deed tax is imposed on the transferee of real property in China, and is calculated based on the price of the property.	Statutory tax rate: 3%-5%
Property tax	The owner of real property located in urban areas is subject to the real estate tax, based on the assessed or rental value of the property.	Statutory tax rate (according to the tax value): 1.2% Statutory tax rate (based on rental income): 12%
Land appreciation tax	Land appreciation tax is levied on the transfer of state-owned land and/or architectural buildings and fixtures, depending on the gain realized.	Statutory tax rate: 30%-60%
Stamp duty	Stamp duty is levied on written contracts and other prescribed documents in China. The duty is based on the number of pages or the amount in the instrument.	Statutory tax rate (based on certificate amount): 0.005%-0.1% Certificate cost: RMB 5 per page

Source:
State Administration of Taxation (as of July 31, 2014)

Main Government Agencies for Investment Services in Haining City

Haining Bureau of Commerce

Add: 5F, Building 1, No. 226 West Haizhou Road, Haining

Tel: +86 573 87288815

Website: <http://www.hnsswj.gov.cn>

Haining Economic and Information Commission

Address: 3F, Building 1, No. 226 West Haizhou Road, Haining

Tel: +86 573 87288726

Website: <http://www.hnei.gov.cn>

Haining Service Sector Development Commission

Address: 5F, Building 2, No. 226 West Haizhou Road, Haining

Tel: +86 573 87291032

Website: <http://www.hn3c.gov.cn>

Administrative Committee of Zhejiang Haining Economic Development Zone and Jianshan District

Address: No.118, Longxing Road, Haining, No. 28 Chaoqi Road, Jianshan District, Haining

Tel: +86 573 87272952

Website: <http://www.hnedz.com>

Administrative Committee of Haining High-Tech Industrial Park

Address: No. 6 Qichao Road, Haining High-Tech Industrial Park

Tel: +86 573 87967169

Website: <http://www.kfq.com.cn>

Administrative Committee of Zhejiang Haining Warp Knitting Industrial Zone (Haining Smart City)

Address: No. 1, West Fengshou Road, Zhejiang Haining Warp Knitting Industrial Zone

Tel: +86 573 87987888

Website: <http://www.jb98.cn>

Administrative Committee of Baili International Tourist Promenade along the Qiantang River

Address: No. 2, Gongchen Road

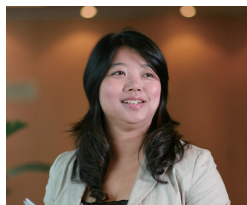
Tel: +86 573 87611659

Website: <http://www.qianjiangchao.com>

Key Contacts at Deloitte

Deloitte Shanghai

Bund Center, 222 Yan An Road East, Fl. 30, Shanghai, P.R.C



Vivian Jiang

Partner

Tel: +86 21 61411098

Fax: +86 21 63350003

E-mail: vivjiang@deloitte.com.cn



Jeff Xu

Partner

Tel: +86 21-6141 1287

Fax: +86 21-6335 0003

E-mail: jexu@deloitte.com.cn



David Rong

Director

Tel: +86 21-6141 1161

Fax: +86 21-6335 0003

E-mail: drong@deloitte.com.cn



Eddie Yan

Senior Manager

Tel: +86 21 61411097

Fax: +86 21-6335 0003

E-mail: eyan@deloitte.com.cn



Cynthia Xu

Manager

Tel: +86 21 61411303

Fax: +86 21-6335 0003

E-mail: cyntxu@deloitte.com.cn

About Deloitte Global

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), and its network of member firms, and their related entities. DTTL and each member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/cn/en/about for a detailed description of DTTL and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's more than 200,000 professionals are committed to becoming the standard of excellence.

About Deloitte in Greater China

We are one of the leading professional services providers with 22 offices in Beijing, Hong Kong, Shanghai, Taipei, Chengdu, Chongqing, Dalian, Guangzhou, Hangzhou, Harbin, Hsinchu, Jinan, Kaohsiung, Macau, Nanjing, Shenzhen, Suzhou, Taichung, Tainan, Tianjin, Wuhan and Xiamen in Greater China. We have nearly 13,500 people working on a collaborative basis to serve clients, subject to local applicable laws.

About Deloitte China

The Deloitte brand first came to China in 1917 when a Deloitte office was opened in Shanghai. Now the Deloitte China network of firms, backed by the global Deloitte network, deliver a full range of audit, tax, consulting and financial advisory services to local, multinational and growth enterprise clients in China. We have considerable experience in China and have been a significant contributor to the development of China's accounting standards, taxation system and local professional accountants.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the "Deloitte Network") is by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.